

This letter discusses the application of tax to monthly subscription charges that entitle the purchaser to download postage. See 86 Ill. Adm. Code Part 495 and 86 Ill. Adm. Code Part 130. (This is a GIL.)

October 19, 2006

Dear Xxxxx:

This letter is in response to your e-mail dated July 20, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are planning on offering our customers a new program. The way it works is that a customer purchases from us a special printer at a cost of \$149 and labels and also pays a monthly subscription fee of \$12.99 per month. This fee entitles a customer to purchase postage from us. Should a customer purchase postage it is downloaded directly into the printer. The customer then prints the valid USPS postage onto the labels. The customer then pays us for the postage with no markup. Along with printer comes the necessary cables to connect to the customer's computer and a CD to install the necessary software to enable the downloading of the postage. Also for no additional charge the customer can also download an image to appear on the label. The image can be selected from a library of images we provide or the customer may request to use an image they produce and we download it to their computer in order to appear on the label. In order to have postage downloaded into the printer, the postage must be obtained from us. Realizing that the customer's purchase of the printer and blank labels are taxable, my question is: is the monthly subscription fee taxable and if so why? Please keep in mind that the object of the program is to allow the customer to acquire postage electronically with the ability to print an image on the postage label. It should be noted that at the end of a year of service the customer would have paid in subscription fees approximately what they paid for the printer and that if they have the service five years they would have paid over \$1000 in subscription fees while the cost of the printer was only \$149.00.

Thanks for your help!

DEPARTMENT'S RESPONSE

Your e-mail was transferred to the Department's Legal Services Office for response.

You have explained that you are starting a new program to sell customers postage. In order to do this, you sell the customer a special printer that includes necessary cables to connect to the customer's computer and a CD to install the necessary software to enable the downloading of postage. This system allows the customer to download postage that is sold at no markup. The question is whether or not the monthly subscription fee that entitles a customer to download postage that it purchases from you is subject to tax.

As we understand it, the monthly subscription charge is a charge that entitles a customer to download postage that it purchases from you, only. If it does not cover telecommunications charges and no tangible personal property is transferred, then the monthly subscription charge is neither taxable under the Telecommunications Excise Tax, 35 ILCS 630/1 et seq., (the Department's rules are at 86 Ill. Adm. Code Part 495) nor under the Retailers' Occupation Tax, 35 ILCS 120/1 et seq. (the Department's rules are at 86 Ill. Adm. Code Part 130).

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

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